

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

In re:

STUDENT FINANCE CORPORATION

Debtor.

Civil Action No.: 04-1551 (JJF)

CHARLES A. STANZIALE, JR.,
CHAPTER 7 TRUSTEE OF STUDENT
FINANCE CORPORATION,

Plaintiff,

v.

PEPPER HAMILTON, LLP, et al.,

Defendants.

APPENDIX OF EXHIBITS TO REPLY BRIEF OF THE TRUSTEE
IN SUPPORT OF HIS MOTION TO COMPEL

Michael S. Waters, Esq.
Lois H. Goodman, Esq.
Candice E. Chesson, Esq.
MCELROY, DEUTSCH, MULVANEY
& CARPENTER, LLP
Three Gateway Center
100 Mulberry Street
Newark, New Jersey 07102

Daniel K. Astin, Esq. (No. 4068)
Mary E. Augustine, Esq. (No. 4477)
THE BAYARD FIRM
222 Delaware Avenue
Suite 900
Wilmington, Delaware 19899

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MICHAEL S. WATERS
Direct Dial: (973) 565-3011
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October 25, 2006

VIA E-MAIL AND FIRST CLASS MAIL

Stephen J. Shapiro, Esq.
Schnader Harrison Segal & Lewis LLP
Suite 3600, 1600 Market Street
Philadelphia, Pennsylvania 19103-7286

Re: *In Re: Student Finance Corporation*
Charles A. Stanziale, Jr., Chapter 7 Trustee of Student Finance Corporation
vs. Pepper Hamilton LLP, et al.
Civil Action Number: 04-1551 (JJF)

Dear Steve:

The testimony of Duncan Grant indicated that substantial documentation was provided to Pepper Hamilton's Compensation Committee each year regarding Mr. Gagné, including statistics as originating partner, billing partner, working timekeeper, etc. That information together with Pepper Hamilton's billing records for SFC, Yao, the Family Trusts, etc. would enable one to compute the significance of these billings in Mr. Gagné's overall presentation for compensation. Therefore, your answer to the interrogatory that such documents do not exist is incorrect. We ask you to advise us immediately that you will promptly produce all of those documents for each year that Mr. Gagné was a partner at Pepper Hamilton prior to the commencement of the litigation.

Very truly yours,

MC ELROY, DEUTSCH, MULVANEY & CARPENTER, LLP

Michael S. Waters

MSW:dmc

cc: John I. Grossbart, Esq. (Via E-Mail)
Neil Epstein, Esq. (Via E-Mail)
Veronica Rendon, Esq. (Via E-Mail)
Andre G. Castaybert, Esq. (Via E-Mail)
John Eickemeyer, Esq. (Via E-Mail)
Thomas H.L. Selby, Esq. (Via E-Mail)

NEW YORK, NEW YORK DENVER, COLORADO RIDGEWOOD, NEW JERSEY MORRISTOWN, NEW JERSEY PHILADELPHIA, PENNSYLVANIA

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November 10, 2006

Stephen J. Shapiro
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VIA E-MAIL AND FIRST CLASS MAIL

Michael S. Waters, Esquire
McElroy, Deutsch, Mulvaney
& Carpenter, LLP
Three Gateway Center
100 Mulberry Street
Newark, New Jersey 07102

RE: *Royal Indemn. Co. v. Pepper Hamilton LLP, et al.*, No. 05-165 (D. Del.)
Stanziale v. Pepper Hamilton LLP, et al., No. 04-1551 (D. Del.)

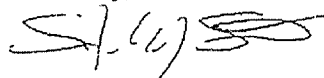
Dear Mike:

I write in response to your letter of October 25, 2006.

The Trustee's Second Set of Requests for the Production of Documents requested that Pepper produce "[d]ocuments sufficient to identify and establish the effect of fees received from SFC on the compensation paid to Roderick Gagné by Pepper Hamilton." None of the fee statistics that Duncan Grant identified at his deposition are broken out by client and, therefore, do not establish the effect of fees received from SFC on Mr. Gagné's compensation. Nor can they, contrary to your assertion, be used in connection with other documents or information to establish the effect of fees received from SFC on Mr. Gagné's compensation. As such, the documents identified by Mr. Grant are not responsive to your document request and Pepper's response thereto was and remains accurate.

Nevertheless, we are treating your October 25, 2006 letter (and the subsequent motion to compel that you filed three business days later before Pepper had the opportunity to respond to your letter) as a request for the statistics identified by Mr. Grant, and are enclosing the documents, which we have designated "Confidential," with this letter (PEPPER 206375-79). As you can see, the documents do not establish the effect of fees received from SFC on Mr. Gagné's compensation.

Sincerely,



Stephen J. Shapiro
For SCHNADER HARRISON SEGAL & LEWIS LLP

Enclosure

Schnader Harrison Segal & Lewis LLP
NEW YORK PENNSYLVANIA CALIFORNIA WASHINGTON, DC NEW JERSEY DELAWARE

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MICHAEL S. WATERS
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E-mail: mwaters@mmdm-law.com

November 15, 2006

VIA E-MAIL AND FIRST CLASS MAIL

Stephen J. Shapiro, Esq.
Schnader Harrison Segal & Lewis LLP
Suite 3600, 1600 Market Street
Philadelphia, Pennsylvania 19103-7286

Re: *In Re: Student Finance Corporation*
Charles A. Stanziale, Jr., Chapter 7 Trustee of Student Finance Corporation
vs. Pepper Hamilton LLP, et al.
Civil Action Number: 04-1551 (JJF)

Dear Steve:

I have your letter of November 10, 2006 and the enclosed documents. In response to the Trustee's request for documents to identify the effect of fees received from SFC on compensation to Mr. Gagné, Pepper Hamilton responded that no such documents exist. What was clear from Mr. Grant's testimony was not just the existence of the fee statistics that you have now produced, but that they arise out of a computerized time and billing system. Unless that system is radically different from most, Pepper Hamilton has electronic records which allow it to determine lawyer origination by client, lawyer billing by client and handling attorney and that such reports are produced and delivered to the appropriate lawyers annually and monthly, if not more frequently. The documents from which I can endeavor to make the calculation apparently do exist and fall into three categories:

1. records of the total annual amounts for Mr. Gagné in each of the categories from 1997 to 2003, which you have now produced;
2. the changes in Mr. Gagné's compensation in each of those years. The documents you have produced show a change in his budgeted compensation. If there is any additional compensation granted or denied Mr. Gagné in a year after the Compensation Committee reviews these materials, by bonus or otherwise, please provide me with documents that refer to the amount of and basis for any change. Otherwise, please confirm that the documents you have now produced show the only changes in his compensation year-over-year;

NEW YORK, NEW YORK DENVER, COLORADO RIDGEWOOD, NEW JERSEY MORRISTOWN, NEW JERSEY PHILADELPHIA, PENNSYLVANIA

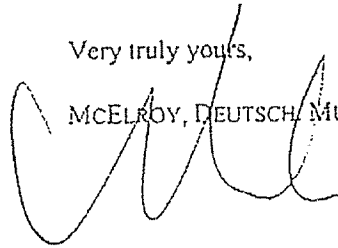
MCCELROY, DEUTSCH, MULVANEY & CARPENTER, LLP

Stephen J. Shapiro, Esq.
November 15, 2006
Page 2

3. the portion of chargeable hours, assigned lawyer collections, originating lawyer billing and collections, billing lawyer fee billing and collections, and handling attorney billing and collections which are attributable to SFC as defined in the document request. That information, on a client-by-client basis, no doubt exists on Pepper Hamilton's time and billing database and no doubt has been the subject of regular reports, whether or not they have been retained.

I call upon you to produce the documents described above which are responsive to my request and should allow me to complete the analysis.

Very truly yours,

A handwritten signature in black ink, appearing to read "MW", is written over the typed name of the firm.

MCCELROY, DEUTSCH, MULVANEY & CARPENTER, LLP

Michael S. Waters

MSW:dmc

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November 28, 2006

Stephen J. Shapiro
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VIA E-MAIL AND FIRST CLASS MAIL

Michael S. Waters, Esquire
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& Carpenter, LLP
Three Gateway Center
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Newark, New Jersey 07102

RE: *Royal Indemn. Co. v. Pepper Hamilton LLP, et al.*, No. 05-165 (D. Del.)
Stanziale v. Pepper Hamilton LLP, et al., No. 04-1551 (D. Del.)

Dear Mike:

I write in response to your letter of November 15, 2006.

The conclusions you have drawn from the documents produced on November 10, 2006 are incorrect. "Budgeted compensation" is a percentage of the amount budgeted (i.e., anticipated to be earned) for the Firm as a whole for each year. Actual compensation is derived by multiplying that percentage by the actual amount earned by the Firm as a whole in a given year. Actual compensation will differ from "budgeted compensation" to the extent Pepper's actual net revenues differ from the net revenue figure as budgeted for the compensation process. Mr. Gagné's actual compensation for the years at issue was calculated using the percentage budgeted and was neither increased by a bonus nor diminished by a surcharge.

Contrary to your speculation, the information you have requested in the paragraph numbered "3" of your letter has not been the "the subject of regular reports" at Pepper because Pepper does not generate compensation reports listing the proportion of a lawyer's total hours or billings that are attributable to each client or matter. As we previously have explained, for purposes of calculating compensation Pepper generates reports listing total hours billed and fees collected, not the percentages of those hours or fees attributable to any given client. Nevertheless, Pepper will attempt to cull the information you have requested from its record keeping system even though the end result of this exercise will be a list of figures that have no

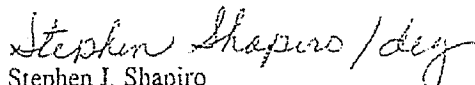
Schnader Harrison Segal & Lewis LLP
NEW YORK PENNSYLVANIA CALIFORNIA WASHINGTON, DC NEW JERSEY DELAWARE

Schnader
ATTORNEYS AT LAW

Michael S. Waters, Esquire
November 28, 2006
Page 2

bearing whatsoever on how Mr. Gagné's compensation was calculated and, therefore, are not responsive to your document request.

Sincerely,


Stephen J. Shapiro
For SCHNADER HARRISON SEGAL & LEWIS LLP

Schnader Harrison Segal & Lewis LLP

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December 5, 2006

Stephen J. Shapiro
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VIA E-MAIL AND FIRST CLASS MAIL

Michael S. Waters, Esquire
McElroy, Deutsch, Mulvaney
& Carpenter, LLP
Three Gateway Center
100 Mulberry Street
Newark, New Jersey 07102

RE: *Royal Indemn. Co. v. Pepper Hamilton LLP, et al.*, No. 05-165 (D. Del.)
Stanziale v. Pepper Hamilton LLP, et al., No. 04-1551 (D. Del.)

Dear Mike:

Enclosed please find the information that we agreed to produce on behalf of Pepper in my letter of November 28, 2006. The documents, which we have been marked "Confidential," are Bates stamped PEPPER206386-88.

Sincerely,



Stephen J. Shapiro
For SCHNADER HARRISON SEGAL & LEWIS LLP

Enclosure

Schnader Harrison Segal & Lewis LLP
NEW YORK PENNSYLVANIA CALIFORNIA WASHINGTON, DC NEW JERSEY DELAWARE

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

MBIA INSURANCE CORPORATION :
and WELLS FARGO BANK, :
N.A. (f/k/a WELLS FARGO :
BANK MINNESOTA N.A.) as :
TRUSTEE OF SFC GRANTOR :
TRUST, SERIES 2000-1, SFC :
GRANTOR TRUST, SERIES :
2000-2, SFC GRANTOR TRUST, : C.A. NO.
SERIES 2000-3, SFC GRANTOR : 02-1294-JJF
TRUST, SERIES 2000-4, SFC :
GRANTOR TRUST, SERIES 2001-1, :
SFC GRANTOR TRUST, SERIES :
2001-2, SFC OWNER TRUST :
2001-1, AND SFC GRANTOR :
TRUST, SERIES 2001-3, :
Plaintiffs/Counterclaim :
Defendants, : TRACK(I)WITNESS:
v. : M. DUNCAN GRANT
: VOLUME II
ROYAL INDEMNITY COMPANY, :
Defendant/Counterclaim: DATE:
Plaintiff. : OCTOBER 11, 2006

ROYAL INDEMNITY COMPANY,
Third-Party Plaintiff,

vs.

ANDREW N. YAO, STUDENT LOAN
SERVICING LLC, STUDENT LOAN
ACCEPTANCE II LLC, STUDENT LOAN
ACCEPTANCE III LLC, STUDENT LOAN
ACCEPTANCE III LLC, STUDENT LOAN
ACCEPTANCE V LLC, STUDENT LOAN
ACCEPTANCE VIII LLC, STUDENT LOAN
ACCEPTANCE IX LLC, SFC FINANCIAL LLC
I, SFC FINANCIAL LLC II, SFC
FINANCIAL LLC VI, SFC FINANCIAL LLC
VII,
Third-Party Defendants.

ROYAL INDEMNITY COMPANY,
Counter-Claimant,

vs.

MBIA BANK and WELLS FARGO BANK
MINNESOTA, N.A.,
Counter-Defendants.

VERITEXT/SPHERION DEPOSITION SERVICES
(212) 490-3430

1 didn't feel was accurate, and in the
2 motion that we filed with the Court
3 in the Nielsen's case; specifically,
4 the statement about no merit to the
5 Nielsen allegations, I was very, 14:18:08
6 very comfortable that it was
7 accurate on the basis of the
8 evidence that I described to you
9 five or ten minutes ago.

10 Q. And were you comfortable that 14:18:18
11 you had done the due diligence that
12 was professionally required of you
13 as a lawyer in making the
14 representation to the Court?

15 MS. AINSLIE: Objection. 14:18:28

16 THE WITNESS: Absolutely.

17 MR. WATERS: I will give
18 this -- I will just ask you some
19 questions first. Before I mark
20 this, would you just pass this to 14:21:08
21 counsel?

22 THE WITNESS: Sure.

23 MR. WATERS: I just want
24 to ask you, and I don't mind doing
25 it on the record, I had a redacted 14:21:20

1 copy, and then I have an unredacted
2 copy. I think you unredacted that.
3 I just want to make sure before I
4 mark it.

5 MS. AINSLIE: Can I 14:21:30
6 consult with Mr. Wilcox?

7 THE VIDEO TAPE OPERATOR:
8 Off the video record. The time is
9 2:21.

10 (Whereupon the court
11 reporter marked document as Exhibit
12 312-I for identification.)

13 THE VIDEO TAPE OPERATOR:
14 Back on the record. The time is
15 14:24. 14:24:46

16 MS. AINSLIE: Mike, are
17 you going to state the agreement on
18 312?

19 MR. WATERS: Just to be
20 very brief, a redacted and 14:24:58
21 unredacted copy of Exhibit 312 was
22 produced. It apparently was an
23 inadvertent production, not intended
24 to waive any privilege, but upon
25 review of the document, all counsel 14:25:14

1 have agreed to stipulate that we may
2 examine on the unredacted document,
3 and that will not be considered a
4 waiver of the privilege.

5 MS. AINSLIE: Thank you. 14:25:24

6 MR. WATERS: Just for
7 purposes of this examination.

8 MS. AINSLIE: Thank you.

9 BY MR. WATERS:

10 Q. And after much ado, it is really 14:25:34
11 kind of simple. It came a time when
12 it was determined that Pepper
13 Hamilton would not be representing
14 SFC; correct?

15 A. That's right. 14:25:46

16 Q. And you were to transfer the
17 case to new counsel?

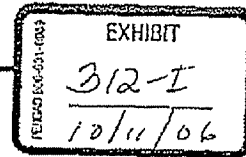
18 A. That's right.

19 Q. And in the course of that, there
20 was an exchange of e-mail, as set 14:26:00
21 forth in Exhibit 312?

22 A. That's right.

23 Q. And you had previously
24 indicated, I think, that you had a
25 good relationship with Perry 14:26:10

Gagne, Roderick



From: Grant, M. Duncan
 Sent: Tuesday, April 30, 2002 6:17 PM
 To: Wilcox, Alfred; Gagne, Roderick
 Subject: RE: Nielsen v. SFC --- transfer of case to new counsel

Hello Chub and Rod. See the following reply from Perry Turnbull. I suspect that we don't want to recommend anyone to him, but rather that we want to ask him to ask the Fox Rothschild folks for alternatives if SFC doesn't want to use Fox -- do I have that right? Also you can see that we have no problems with their view of the work we did for them, although Perry has frequently made that same point to me over the phone and in person during the last several years.

-----Original Message-----

From: Perry Turnbull [mailto:Pturnbull@sfccorp.com]
 Sent: Tuesday, April 30, 2002 6:09 PM
 To: 'Grant, M. Duncan'
 Subject: RE: Nielsen v. SFC --- transfer of case to new counsel

Duncan,

Thank you. We will most likely send this to the Fox Rothschild group, but we are exploring alternatives.

Can you make any recommendations as to who might serve SFC as well as you did?

Not to be embarrass, but we would like to clone you.

Sincerely,
 Perry

-----Original Message-----

From: Grant, M. Duncan [mailto:GRANTM@pepperlaw.com]
 Sent: Tuesday, April 30, 2002 4:00 PM
 To: 'Perry Turnbull'
 Subject: Nielsen v. SFC --- transfer of case to new counsel

Dear Perry:

As you know, the Nielsen case has not been active for several months, almost all of Nielsen's claims have been resolved in SFC's and Andrew's favor, the court has ruled in favor of SFC on its counterclaim, and there are no deadlines facing SFC at the moment. In view of Pepper's withdrawal from SFC matters, I suggest that you contact Mike Maransky or others at the Fox Rothschild firm and request that they take over the representation from us. I have checked Fox Rothschild's web page, and it says they have two litigators in their Delaware office. In addition, if the Fox Rothschild firm wishes to do so, they could utilize lawyers from their other offices to work on the case.

If SFC would prefer to use Delaware counsel other than the Fox Rothschild firm, that is of course fine, too. Although there is no urgency at the moment, we would like to make the transfer within the next week or two. Once you have told us which new firm will be representing SFC, we can make the appropriate arrangements to transfer our pleadings file, etc.

Regards, Duncan
